

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

29 April 2022



HIGHLIGHTS

- **The Nolans Project demonstrates strong alignment with the Federal Government’s 2022 Critical Minerals Strategy and Federal Budget initiatives aimed at supporting early- to mid-stage strategically significant critical minerals projects to fast track them to market to benefit Australia’s national interests.**
- **NdPr pricing continued to increase, rising to US\$152/kg in the quarter, providing confidence of sustained higher prices and strong project economics.**
- **Ongoing market strength reflects heightened awareness of supply chain vulnerabilities and requirement for strategic projects in jurisdictions with strong ESG standards and sovereign support, driven by geopolitical tensions in Europe.**
- **Appointment of Societe Generale and National Australia Bank as Mandated Lead Arrangers to execute Export Credit Agency driven debt funding strategy**
- **Strong cash position of \$33.5 million to continue Front-End Engineering Design (FEED) with Hatch in line with schedule.**
- **FEED works progressing in line with schedule, with key activity during the quarter including design and constructability reviews by Clough and UGL.**
- **Award of \$30m grant under Federal Government’s Modern Manufacturing Initiative will contribute to construction of the Nolans rare earth separation plant.**
- **Strong engagement with South Korean customers looking to secure long-term strategic supply of NdPr following signing of joint statement of cooperation signed with Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR).**

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NdPr

NOLANS NdPr PROJECT

Front-End Engineering and Design

Front-end engineering and design works (**FEED**) at the Nolans Project will provide details critical to reducing the project's risk profile and offer certainty for the tendering of fixed price contracts for project delivery – a requirement identified by potential project finance partners.

FEED works continued during the quarter across multiple fronts including:

- Hydrometallurgical plant
- Beneficiation plant
- Sulphuric acid plant
- Power station
- Process control system
- Non-process infrastructure

Activity across these project areas is outlined below.

Hydrometallurgical Plant

Significant progress was made by Hatch on the hydrometallurgical plant FEED during the quarter including:

- Progress in process engineering design, primarily in the delivery of piping and instrumentation diagrams (**P&IDs**).
- Risk engineering reviews commenced using third-party risk engineers recommended by potential project insurance underwriters with an initial focus around fire prevention and management.
- Hazard and operability workshops continued feeding into the finalisation of the plant design and the P&IDs.
- Tendering of mechanical equipment with all long-lead and critical equipment tenders received, and evaluation of tenders and selection of vendors underway. Tendering of other equipment has commenced to support the design and costing process.
- Placing of Notice of Award for equipment supply and orders for development of certified vendor data to support the completion of FEED.
- Ongoing three-dimensional modelling of the plant, incorporating selected equipment and vendor models.
- Development of the plant's construction scope of work and contract ready for the commencement of tendering in June 2022.

During the plant's 30 per cent maturity design review, Clough and UGL identified innovations that may optimise the plant's layout to provide cost and construction savings. This process will be repeated at the 60 per cent maturity design review.

Beneficiation Plant

The scope of work for the Nolans beneficiation plant is being prepared, with a view to commence tendering in line with targeted Final Investment Decision (**FID**) for the Project in the second half of 2022.

As part of the FEED process a design review work program is being scoped out to consider value improvement opportunities in the beneficiation plant including:

- Removal of a fine ore bin through implementation of duty and standby roll crushers to maintain availability of the grinding and flotation circuits.
- Deferral of the installation of an on-stream analyser and the use of mass recovery as a measure of flotation performance.
- Optimisation of flotation residence time and flotation cell sizing.

Sulphuric Acid Plant

A review of the delivery strategy for the Nolans sulphuric acid plant recommended a move away from a modular solution – with the deferral of the subsequent modules into the first and second year of production – in favour of a large single-train sulphuric acid plant to maximise cost effectiveness. This was in part due to potential cost savings of a single plant over a series of smaller modular plants, but also due to the need for deferred costs to be included in the total Nolans Project funding requirement as the timing of the expenditure could not be guaranteed to be funded from free cash flow.

The impact of this strategy is an increase in up-front costs from A\$1,056m to A\$1,150m through the movement of A\$93.4m from sustaining capital expended in years one and two into pre-production capital. The overall impact of this movement on the financial return on the project is minimal.

During the quarter Hatch was engaged to provide engineering and procurement services for the sulphuric acid plant and awarded a FEED scope of work similar to the hydrometallurgical plant. Hatch developed a scope of work for the supply of the plant, and the tender for the sulphuric acid plant was issued to a number of vendors, including several from low-cost countries with tenders anticipated to be received in May. Issuing of the tender documents was followed by clarification meetings with all tenderers focussed on expediting technical queries and ensuring all tenderers sufficiently understood the requirements to be returned in response to the tender.

Hatch continued with the balance of plant engineering in parallel with the tendering of the sulphuric acid plant supply,

Power Station

During the quarter Alice Springs-based Ekistica was engaged to develop a detailed carbon reduction pathway for power generation at the Nolans Project and draft a subsequent power purchase agreement to drive reduction in greenhouse gases over the course of the project's power station contract.

In March Ekistica delivered an interim report that identified the opportunities associated with on-site solar and wind generation to achieve a significant penetration of carbon-free renewable power generation and reduce levelised energy costs. In the coming quarter, Ekistica will develop a model power purchase agreement incorporating incentives and penalties for carbon emissions, for use in the tendering of the Project's build-own-operate power station.

Non-Process Infrastructure

Non-process infrastructure (**NPI**) design progressed in several areas during the quarter, including:

- Completion of the design of the intersection between the Nolans site access road and Stuart Highway, and submission to the Department of Planning and Infrastructure for comment.
- Design of the site access road and mine access road.
- Surface water management design and flood modelling for the site access road, mine access road, process plant site, mining infrastructure, mine area and residue storage facility.
- Layout of the mining infrastructure and explosives magazine.
- Workshops between village operations contractor ESS and NT Link to finalise the design of the village.
- Communications system design considering both microwave and fibre optic options.

- Tendering of modular and steel framed plant site buildings underway.
- Tendering of the packages for the development of a temporary construction water supply from Nolans Bore.
- Design of the borefield headworks and pumping systems underway.
- Updates to the preliminary residue storage facility design by Knight Piésold to incorporate current life of mine quantities, considering the potential limitations of a modified centreline design.
- Engagement with APA Group around the development of designs and completion of detailed risk assessments in line with AS2885 requirements for facilities located close to an underground gas pipeline.

Project Execution

Preparation for project execution continued in several areas including:

- Implementation of the InEight project management system is ongoing, with contract management and cost control modules implemented and in use from April 2022.
- Engagement with operational logistics contractors and infrastructure owners adjacent to Darwin Port in relation to the operations logistics needs of the Project.
- Further development of the construction health and safety management plan to meet the requirements of NT WorkSafe, to be audited in April/May 2022 ahead of submission.
- Tendering of the laboratory build-own-operate contract.
- Preliminary discussions with potential gas suppliers.

Cost Estimates

While progressing FEED with Hatch (including constructability support from Clough and UGL) and the equipment tendering process, the Company has noted factors that may result in an increase in the capital cost of the Project including:

- Construction labour rates are currently higher than estimated for the purposes of the definitive feasibility study (**DFS**) in 2019 and the Nolans Project Update (refer ASX announcement dated 11 May 2021) (**Project Update**). These rates are being driven by the current high level of activity in the construction industry coupled with the impact of COVID-19 on domestic and international workforce mobility. Arafura has engaged with the Chamber of Commerce and Industry Western Australia to better understand labour rate movements and their potential impact on Project construction. Arafura is also considering alternate contract specifics such as rise and fall during construction to reduce the impact of rate changes at the time of tendering and during the construction period.
- Some raw material costs are at historically high levels, impacting the prices of mechanical equipment and bulk materials required for the Project. Current commodity prices for a number of key input commodities such as nickel (impacting stainless steel cost), copper (impacting electrical equipment and bulks) and oil (impacting plastic piping and fibre reinforced plastic construction) have all experienced recent price rises and this is having a short-term flow-on effect in the tender pricing of equipment and bulk materials.
- High levels of activity in the construction industry are impacting costs for other items associated with the Project.

Arafura continues to work closely with Hatch, Clough, UGL, equipment vendors and other suppliers to monitor and assess the potential impacts of macro-economic factors on the Project's capital costs. The Company will carry out further work including tendering of main contracts to assess ongoing impacts. Available information and analysis indicate that costs remain within the accuracy range provided in the Project Update.

Arafura will seek to mitigate upward cost impacts wherever possible and will provide relevant updates as the potential financial impacts of factors impacting capital costs are more comprehensively understood.

As well as monitoring potential increases in capital costs, Arafura continues to review operating cost inputs and their potential impacts on operating cost estimates. Operating costs will continue to be monitored and updates provided.

Value improvement processes to optimise capital costs, operating costs, process risks, constructability, and operability are ongoing. A number of initiatives identified and under consideration include:

- A review of tank sizes and construction materials to maximise off-site fabrication opportunities, optimise sizing against the transport envelope from Darwin and Adelaide and minimise on-site tank construction.
- Consideration of alternate phosphoric acid manufacturing technology from in the US for the purification of phosphoric acid.
- Review of the requirement for dump ponds for solvent extraction and other areas of the process plant.
- Analysis of surge capacity requirements between major process areas (beneficiation, extraction, rare earth processing and rare earth separation) and within major process areas between process steps.
- Review of the materials of construction for various process equipment.
- Investigation of opportunities for automation to reduce labour requirements.
- Adoption of energy efficient technologies to reduce the Project's energy requirements.
- Investigation into the use of renewable energy to reduce levelised energy costs for the Project.

The Company is finalising the design of the Project as part of the FEED process and continues to refine and develop final capital and operating cost estimates as it moves towards FID. Details of any material financial impact on the Project that differs from the Project Update will be announced to the ASX once an overall assessment of the impact of those factors has been completed, prior to FID.

Independent Technical Review

SRK Consulting completed a preliminary review of the Project during the quarter, focussed on potential 'red flag' issues. This report is being reviewed by Arafura and where appropriate, findings will be included in the risk management process. In the opinion of Arafura, none of the issues raised in the preliminary review represent a critical risk to the Project; with many already included in the risk management plans and are being actioned.

This preliminary review will be provided to lenders once appointed and will be followed by a detailed review to provide technical input to the banker's due diligence prior to FID. It is envisaged that SRK Consulting will continue to provide monitoring and completions assessment during construction.

Technology Development

During the quarter the formal corrosion coupon analysis test report was received for the final outstanding component of the overall corrosion test work program. Namely, rigorous testing of the conditions in the acid bake, which were previously tested in short-term screening tests. This report was provided to Hatch for engineering design and to vendors for design of sulphation equipment.

A modest flotation test work program began during the quarter to investigate the impact of site water, desalination brine and recirculated water on flotation performance, and the impact of diesel fuel additives on froth stability. The test program will revisit bulk vendor tailings dewater testing aimed at decreasing beneficiation plant water consumption and is expected to be completed during the next quarter ahead of detailed design of the beneficiation plant.

Project Schedule

The Company made significant progress during the quarter and remains on track for ore commissioning towards the end of 2024. The overall schedule for the Project has not changed materially since the Project Update in May 2021, with the critical path prior to FID remaining the tendering of construction contracts from June 2022. All dates presented are contingent on securing funding for activities as required. With FEED commencing on schedule in August 2021 the next key dates are:

- Completion of FEED and tendering in May 2022 followed by FID in August 2022; and
- A 26-month construction period from FID with first ore processing in October 2024 and first production towards the end of 2024.

Operational Licencing

Completed mining management plans (**MMP**) and associated environmental management plans (**EMPs**) for the Nolans Project were submitted to the Northern Territory Department of Industry, Tourism and Trade (**DITT**) in the previous quarter. While DITT continues to provide progressive comments back to Arafura the review of all MMP and EMP documents is not yet complete and therefore the finalisation of the MMP approval did not occur in this quarter as expected. It is anticipated that the final review, responses and updating of all plans will be completed in Q2 2022, with approval expected shortly after.

The groundwater extraction license application for the Project's production borefield and water supply was submitted at the end of Q3 2021 to the Northern Territory Department of Environment Parks and Water Security (**DEPWS**). Arafura engaged with regulators at DEPWS during the quarter and provided additional modelling and backup reports to support the application. The review and approval of the application continues to move through the regulatory process in line with published approval timeframe expectations.

The groundwater extraction license for the Nolans mine aquifer, required for pit dewatering, was submitted to DEPWS in Q1 2022 as planned and is currently going through the government review and public consultation process.

ESG

Following the release of the 2021 Sustainability Report in November 2021 (Refer to ASX Announcement dated 29 November 2021), Arafura continues to prioritise the development of its ESG strategy. In this quarter:

- Arafura joined the UN SDG Early Adopter Programme, with significantly more robust data collection and comparison systems than previously existed. This beta programme will be the first time that UN SDG signatories have been allowed to submit this more extensive data along with their annual Communication on Progress status report.
- Arafura continued to develop renewable power options available for the Nolans Project power station. Renewable energy generation technology is changing rapidly, and Arafura will ensure a transition away from fossil fuels as soon as possible for the project.
- Arafura progressed its Initiative for Responsible Mining (IRMA) Ready application. This ESG framework focuses on how mining impacts communities and nature, and encourages the participation of community groups, NGOs and any group that might be potentially affected by a mining operation, striving to encourage transparency between mining companies and their stakeholders. This application will be submitted next quarter, and third-party independent auditing will occur on Arafura's data as part of the IRMA process.

DOMESTIC STAKEHOLDER ENGAGEMENT

During the quarter Arafura hosted a roadshow in the Northern Territory that provided prospective Nolans Project contractors, suppliers, training groups and engaged community members with an overview of the opportunities associated with the project, a sense of timing from the upcoming stages of the project, work on offer, and how to get involved with the project. The roadshow included presentations in Alice Springs and Darwin, along with regional towns Ti Tree, Tennant Creek and Katherine. Presentations were well attended, demonstrating a real interest in the project and its associated community, business and employment opportunities.



Figure 2: Arafura Roadshow Presentation in Darwin



Figure 3 Arafura Roadshow Presentation in Tennant Creek



Figure 4 Arafura Roadshow Presentation in Alice Springs

In addition to the roadshow presentations, meetings were held with other key Territory stakeholders including:

- Central Land Council (CLC) – meeting with the new CEO to provide an update on project progress and discuss employment and development opportunities for local Traditional Owners.
- Northern Territory Chief Minister, Minister for Small Business and Minister for Jobs and Training – meeting to provide a project update outlining the timeline to FID, outline issues facing the project such as housing availability in Alice Springs and discuss areas in which the Northern Territory Government can support the project.
- Northern Territory Major Projects Commissioner and team – meetings to discuss workforce planning and development, project infrastructure requirements and the implementation of the NT Build Levy.

EXPLORATION

Nolans

Refinements to the company's exploration database and re-modelling of the central part of the Nolans orebody continued throughout the quarter. This work forms part of readiness for detailed auditing and due diligence, as well as developing a block model that is more mine planning friendly to allow better short-term production planning once mining commences. In addition to this work, consideration is being given to a detailed gravity survey of the orebody and surrounding area to provide additional information and confirmation around the orientation and alignment of ore and waste in the geological setting.

MACROECONOMIC DEVELOPMENTS

Global Markets

Conflict in Ukraine and escalating tensions in the Indo-Pacific region have highlighted the importance of secure and stable supply chain access. Some of the world's major economies are being forced to reassess their sources of energy-generating fuels and consider the imminent need to increase their clean energy generation capacity – a process that will require a secure supply of critical raw materials.

In this environment, direct government support and collaboration is needed to bring critical minerals projects and processing capacity into production. With potential downstream processing capabilities and stringent ESG standards, Australia has been recognised as a favourable source of secure and reliable critical minerals. The importance of the critical minerals sector was highlighted by the release of the updated 2022 Critical Minerals Strategy which will support the growth of the sector, expand downstream processing and help meet future global demand. The Commonwealth Government announced grants awarded under the MMI Collaborative Stream of A\$200 million to be spent over five years for the Critical Minerals Accelerator Initiative and A\$50.5 million over three years for a virtual National Critical Minerals Research and Development Centre.

On the international front, in February the Australian Government hosted talks in Canberra with a Korean delegation led by Ministry of Trade, Industry and Energy Vice Minister Kiyoung Park, when a memorandum of understanding was signed between the Minerals Council of Australia and the Korean Resources Corporation (KOMIR), a Korean Government Agency established to strengthen cooperation on the exploration and development of critical minerals in Australia.

Arafura signed a Joint Statement of Cooperation with KOMIR to facilitate the supply of rare earths from the Nolans Project to the Korean market and increase strategic stockpiles while sharing on the development of the Nolans project for participation by Korean investors.

Long-term global demand for NdPr is expected remain strong, with acceleration forecast in electric vehicle uptake and green energy development throughout the next decade, including a forecast 96 per cent increase in global wind energy generation capacity to 2030. China's offshore wind generation capacity increased by 16.9GW in 2021 alone – more in one year than any other country in the last five years combined – and the country holds wind, solar and battery production capacity on an epic scale: currently 50 per cent of global wind turbine manufacturing capacity, estimated to grow another 42 per cent in the next two years according to Wood Mackenzie research director Alex Whitworth.

OFFTAKE AND PROJECT FUNDING

Offtake

Relaxing of COVID-19 travel restrictions during the quarter allowed for face-to-face meetings with prospective European and Korean customers, advancing negotiations on the key terms of offtake agreements. Further travel plans

to facilitate meetings with potential end-users in other regions, to finalise the key terms of offtake arrangements, are being assessed.

The pipeline of potential Tier-1 offtake partners for the Nolans Project is now more than three times the project's nameplate production capacity of 4,400tpa and the opportunity to accept new interest is now time constrained. A foundation customer process has been initiated to align all current interested parties with Arafura's decision-making schedule, supporting FID in the second half of 2022. Interest from end users in securing their magnet value chain is intensifying across all regions in which Arafura is strategically engaged. This is supported by several known ex-China magnet development and expansion projects that will require a secured ROW NdPr oxide or metal feed.

Based on the confidence of advanced negotiation with potential offtake parties, Arafura has commenced engagement with Export Credit Agencies (ECAs) in several regions. No formal or binding agreements with the parties have been entered into and negotiations are incomplete. The Company, at this stage, has no certainty as to the timing and likelihood of successfully concluding binding agreements being entered into. Details of these arrangements will be announced to ASX if (and when) formal agreements have been executed.

Project Funding

Strong NdPr oxide price performance during the quarter consistently aligned with Arafura's market messaging relating to global electric vehicle sales growth and the limited ability of existing production to meet demand.

Project economics published in the Nolans Project Update (refer to ASX Announcement dated 11 May 2021) assumed a long-term NdPr oxide price of US\$87/kg, however the price has steadily increased since the update was released, reflecting current demand and supply drivers, and in the March quarter the NdPr closing price reached US\$152/kg. Arafura is in a strong position to potentially attract commercial lenders and institutional equity investors to assist with funding the Nolans Project, given the increased confidence in the NdPr sector and its growth potential tied to clean energy technologies.

During the quarter, strong engagement with key commercial lenders culminated in the appointment of leading mining project finance institutions and National Australia Bank as the initial Mandated Lead Arrangers (MLAs) to arrange debt financing facility for the Nolans Project, supported by Grant Thornton Australia and London-based HCF International Advisers (refer to ASX Announcement dated 28 April 2022). The MLAs will seek a debt financing package totalling approximately US\$510 million – about 60 per cent of the estimated total development cost of the Project – including working capital and other credit facilities, and a separate cost overrun facility. Separately, the Company has letters of support from Export Finance Australia and the Northern Australia Infrastructure Facility for senior debt facilities of up to A\$200 million and A\$100 million respectively for up to a 15-year facility term (refer to ASX Announcements dated 7 May 2021 and 18 June 2021).

Arafura is on track in executing its funding strategy: the Nolans Project is strongly aligned with the Australian Government's recently updated 2022 Critical Minerals Strategy, and geopolitical tensions in Europe have heightened awareness of supply chain vulnerabilities and the need to develop projects that are more advanced and in a jurisdiction with strong ESG standards and strong sovereign support. The Company is seeking to align its offtake with objectives of key ECAs seeking to encourage their local manufactures to diversify their supply chains for critical materials, specifically in the electric vehicle and renewable energy sectors.

Offtake discussions continue to incorporate engagement for strategic investment with key parties who recognise the value of a de-risked NdPr value chain through long-term offtake and strategic investment in the upstream value chain.

Strategic investment in the Nolans project is viewed positively by ECAs and some lenders, and offtake partners are aware of the need to show alignment between themselves and the project. Engagement with key groups for strategic investment is lock-step with progress for offtake discussion. At this stage, the Company has no certainty as to the timing and likelihood of securing strategic investment – these arrangements will be announced to the ASX if (and when) formal agreements have been concluded.

Engagement with several significant institutional investors indicates strong equity capital market interest in quality NdPr assets. Arafura's goal of securing well-structured offtake to support debt participation, EFA and NAIF sovereign support, ECA debt guarantees, high ESG standards and targeted strategic investment presents a business model that is strongly aligned with institutional investor objectives.

NdPr Market

The price of NdPr increased 14 per cent from US\$133 per kg to US\$152 per kg during the quarter, with the spot price experiencing multi-year highs driven by factors including supply shortages and high global demand for magnets.

China's Ministry of Industry & Information Technology increased official rare earth oxide quotas during the quarter by 20 per cent from 162,000 tonnes to 194,000 tonnes due to supply shortages and surging demand for renewable and green energy applications. Total official Chinese supply is now mainly controlled by new entity China Rare Earth Group and China Northern Rare Earth Group following the strategic reorganisation of rare earth assets to facilitate greater market operational oversight and pricing power. Supply of NdPr from China's southern processing provinces remains tight with limited availability brought on by government restrictions and suspension of rare earth mines, and processing facilities unable to meet newer operating standards set by MIIT.

NdFeB magnet demand was strong leading into the quarter, with Chinese production reaching 24,000 tonnes in January to fill orders before Chinese New Year. Demand for magnets for applications including vehicle manufacturing, wind turbines and consumer electronics remains strong globally with Germany, South Korea and the US the market's standout importers of NdFeB magnets.

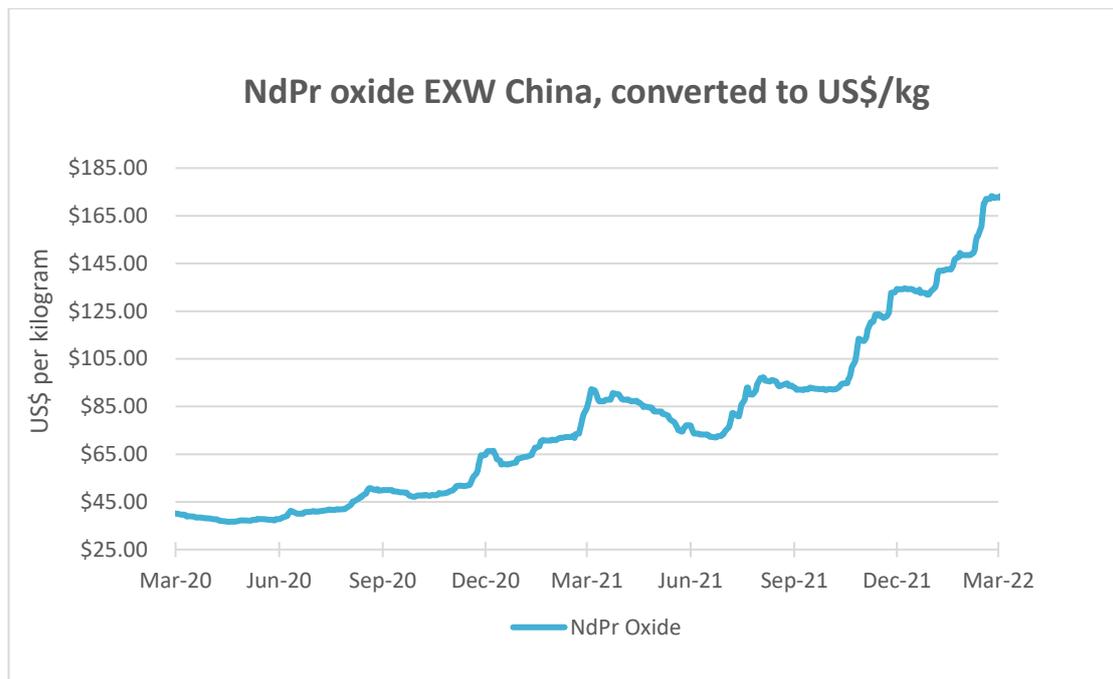


Figure 5: NdPr Oxide Price EXW China inclusive VAT converted to US\$

CORPORATE

Cash Position

As at 31 March 2022, Arafura had \$33.5 million in cash reserves – a strong financial position that enabled the Company to continue FEED work for the Nolans Project while progressing offtake negotiations and project financing activities aligned to a development timeline targeting FID in the second half of 2022.

During the quarter the Company spent ~\$0.6 million on exploration and evaluation activities, ~\$1.9 million on corporate, administration and business development costs and ~\$5.7 million on project development activities which relates to FEED. Further details are available in the attached Appendix 5B.

Average monthly cash expenditure for the quarter ended 31 March 2022 was \$2.7 million, slightly higher than the previous quarter as a result on ongoing FEED activities.

Payments of \$240,000 reported in Item 6.1 of the attached Appendix 5B relate to salaries, fees and superannuation paid to Directors.

Award of Grant Funding

During the quarter the transformational nature of the Nolans Project was recognised with the Company's receipt of a \$30 million grant under the Federal Government's Modern Manufacturing Initiative, to contribute to the construction of the Project's \$90.8 million rare earth separation plant. Opportunities exist for hub processing of other rare earth-rich feedstock at the plant when construction is complete, potentially dispersing its cost of infrastructure investment and expanding local job opportunities.

COVID-19

Arafura continues to diligently monitor changes to the status of COVID-19 and all State, Territory and Federal Government advice around social distancing, travel restrictions, contact tracing and vaccination. Staff and contractors are advised of any updates to policies and procedures to ensure alignment with recommendations as Australia opens its borders and international and domestic travel resumes.

Tenements

In accordance with ASX Listing Rule 5.3, please refer to Appendix 1 for a listing of all tenement holdings.

Forward Looking Statements

This report includes forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to the Company, or any of its affiliates or persons acting on its behalf. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither the Company nor any other person gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, the Company and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

Production Targets and Forecast Financial Information

The information in this report that relates to production targets and forecast financial information is extracted from the Company's ASX announcement dated 11 May 2021 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX

announcement dated 11 May 2021. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX announcement dated 11 May 2021 (including any assumptions referred to in the Company's ASX announcement dated 11 May 2021 that were sourced from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

APPENDIX 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity	
Arafura Resources Ltd	
ABN	Quarter ended ("current quarter")
22 080 933 455	31 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(5,740)	(11,036)
	(c) production	-	-
	(d) staff costs	(675)	(2,030)
	(e) administration and corporate costs	(1,219)	(3,679)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	36	106
1.5	Interest and other costs of finance paid	(4)	(13)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(7,602)	(16,652)

2.	Cash flows from investing activities	-	-
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(26)	(108)
	(d) exploration and evaluation	(566)	(3,514)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:	-	-
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	14	14
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposits)	-	(6)
2.6	Net cash from / (used in) investing activities	(578)	(3,614)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	45,322
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,158)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(63)	(190)
3.10	Net cash from / (used in) financing activities	(63)	42,974

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	41,739	10,788
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,602)	(16,652)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(578)	(3,614)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(63)	42,974
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	33,496	33,496

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,458	5,737
5.2	Call deposits	32,038	36,002
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	33,496	41,739

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(240)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Salaries, fees and superannuation of Directors of the Company.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Not applicable.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(7,602)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(566)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(8,168)
8.4	Cash and cash equivalents at quarter end (item 4.6)	33,496
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	33,496
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Not applicable.	
	8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Not applicable.	
	8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Not applicable.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

COMPLIANCE STATEMENT

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29/04/2022

Authorised by: The Audit Committee

(Name of body or officer authorising release – see note 4)

Notes

- (1) This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- (2) If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- (3) Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- (4) If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- (5) If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

APPENDIX A – MINING TENEMENTS HELD AS AT 31 MARCH 2022

Tenement reference	Project	Holder	Nature of interest	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659 ML 30702 ML 30703 ML 30704 ML 32411 ML 32412 ML 32413 ML 32414 ML 32415 ML 32416	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	
EL 28473 EL 28498 EL 29509 EL 31224 EL 31284 EL 31957	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100%	
EL 29701	Bonya JV, NT	Arafura Resources Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%
EL 32167	Jervois Vanadium, NT	Arafura Resources Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%
ML32722	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	100%	Application lodged.
ML33107	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	100%	Application lodged.
EMEL 32672 EMEL 32673 EMEL 32674 EMEL 32675 EMEL 32676	Nolans, NT	Arafura Rare Earths Pty Ltd	Extractive Mineral Exploration License	100%	100%	
EMP33078 EMP33079 EMP33080 EMP33081 EMP33082 EMP33083 EMP33084 EMP33085	Nolans, NT	Arafura Rare Earths Pty Ltd	Extractive Exploration Licence	100%	100%	Application lodged.